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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re	) Chapter 11
	)
SEARS HOLDINGS CORPORATION, <i>et al.</i> , <sup>1</sup>	) Case No. 18-23538 (RDD)
	)
Debtors.	) (Jointly Administered)
	)

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); SHC Licensed Business LLC (3718); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); SHC Promotions LLC (9626); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); and Sears Brands Management Corporation (5365). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

**FEE EXAMINER'S SECOND STATUS REPORT REGARDING  
REVIEW OF INTERIM FEE AND EXPENSE APPLICATIONS**

Paul E. Harner, as fee examiner (the "Fee Examiner"), respectfully submits this second status report regarding his ongoing review of professional fee and expense applications in the above-captioned chapter 11 cases.

**Background**

1. On October 15, 2018, Sears Holdings Corporation and certain of its affiliates (the "Debtors") commenced voluntary cases under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Court"). The Debtors' chapter 11 cases are being jointly administered for procedural purposes only pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

2. On April 22, 2019, the Court entered its *Order Authorizing Appointment of Independent Fee Examiner Pursuant to 11 U.S.C. § 105(a) and Modifying Interim Compensation Procedures for Certain Professionals Employed Pursuant to 11 U.S.C. § 327* [Docket No. 3307] (the "Fee Examiner Order"). At the direction of the Court, the Office of the United States Trustee appointed the Fee Examiner to monitor the fees and expenses incurred by professionals retained in these chapter 11 cases and to provide periodic reports regarding the fee applications submitted for approval by such professionals, with or without a filed objection.

3. Prior to the appointment of the Fee Examiner, the professionals retained pursuant to Court order in these chapter 11 cases (the "Retained Professionals") filed their first interim applications for compensation and reimbursement of expenses from October 15, 2018 through February 28, 2019. Since the appointment of the Fee Examiner, the Debtors and the Official

Committee of Unsecured Creditors have retained additional professionals, who have also filed interim fee applications that are subject to review by the Fee Examiner. To date, many of the Retained Professionals have filed their second and third interim fee applications. On June 28, 2019 and October 24, 2019, the Court entered orders approving certain first and second interim fee applications of the Retained Professionals, subject to the review and reservation of rights by the Fee Examiner with respect to the approval of any Retained Professional's final fee application. *See* Docket Nos. 4409 & 5507.

### **Status Report**

4. The Fee Examiner has completed his review of the first interim fee and expense applications of the Retained Professionals and has provided preliminary reports regarding those fee and expense applications (the "First Preliminary Reports") to almost all of the lead professionals for their review and response.

5. Because the Fee Examiner Order contemplates treatment of the First Preliminary Reports as settlement communications under Federal Rule of Evidence 408, the Fee Examiner considers the First Preliminary Reports confidential and has submitted them for the purpose of identifying concerns; requesting additional information; and commencing discussions with the professionals regarding potentially appropriate fee and expense adjustments.

6. The Fee Examiner has met with various of the lead professionals and, to varying degrees, engaged in discussions regarding his review of the First Preliminary Reports. The Fee Examiner is continuing to work towards a resolution of the issues raised in the First Preliminary Reports with the Retained Professionals, and the Fee Examiner will file necessary and appropriate final reports with respect to any agreed-upon adjustments to pending fee and expense approval requests. Although the Fee Examiner remains optimistic that agreements can be reached, he has

as yet been unable to do so with any of the Retained Professionals, and in fact, is awaiting responses to requests for additional information from several firms. Notwithstanding that he remains hopeful agreements will be reached, the Fee Examiner emphasizes that a number of broad issues implicating many of the Retained Professionals' applications remain unresolved to date.

7. The Fee Examiner has also substantially completed the review of various subsequent interim fee and expense applications of the Retained Professionals and believes that ongoing discussions regarding the Retained Professionals' first submissions will inform and truncate that further review process. The Fee Examiner intends to submit preliminary reports regarding second and third interim fee and expense applications to the Retained Professionals shortly after reaching hoped-for resolutions regarding the First Preliminary Reports.

8. The Fee Examiner has also reviewed the Second Interim and Final Fee Application [Docket No. 6138] (the "Lazard Final Fee Application") submitted by Lazard Freres & Co. LLC ("Lazard") and informally discussed his concerns and requested additional information. Given the discussions with and information provided by Lazard and its counsel, the Fee Examiner has no objection to the approval of the Lazard Final Fee Application.

9. At the Fee Examiner's request and out of an abundance of caution, the proposed third omnibus order granting Retained Professionals' interim fee applications will include, and the Fee Examiner expects the Retained Professionals to agree that any similar order granting later interim fee applications likewise will include, a provision specifically reserving the Fee Examiner's right to object formally to the approval of any fees or expenses, either as part of the final fee and expense application process or otherwise in advance of the final approval of fee and expense applications.

Dated: January 22, 2020

/s/ Paul E. Harner

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*Fee Examiner*

/s/ Chantelle D. McClamb

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